



State of Wisconsin
Department of Health and Family Services

Jim Doyle, Governor
Helene Nelson, Secretary

Food Stamps

	FY 04		FY 05	
	GPR	All Funds	GPR	All Funds
Re-estimate for Food Stamps for Immigrants Program	(625,000)	(625,000)	(561,900)	(561,900)
Re-estimate for Administration	253,200	506,400	362,600	725,200
Reinvestment Obligations				
Income Augmentation Funds		2,685,400		376,900
Other Funding		446,300		345,000
Elimination of Food Stamp vendor payment (part of Budget Efficiency budget item)	(250,000)	(500,000)	(250,000)	(500,000)
Total	(621,800)	2,513,100	(449,300)	385,200

Description of Proposal

- Re-estimates the GPR funding needed for the state-funded food stamps for immigrants program to reflect a recent change in federal law that provides eligibility for federal food stamps for certain immigrants.
- Re-estimates the cost for the state contract with Citicorp for an electronic benefits transfer (EBT) system for Food Stamps to reflect projected food stamp caseload increases.
- Funds reinvestment obligations required by the federal government.

Background

- The Food Stamp program provides assistance to low-income households to buy food. As of December 2002, there were 286,616 Food Stamp clients in Wisconsin. Food Stamp benefits are 100% federally-funded for individuals who meet the federal eligibility criteria.
- The state provides GPR-funded food stamps benefits for certain immigrants who are not eligible for federally-funded food stamps.
- The federal government mandates all states to implement an electronic benefits transfer (EBT) system for food stamps. The state currently contracts with Citicorp Electronic Financial Services, Inc. for this purpose. Certain costs of the contract are caseload-driven.
- As part of the current EBT contract, the state agreed to pay a fee of \$.08 for each EBT food stamp transaction to retailers utilizing their own point of sale terminal.
- The federal government imposes penalties on states with food stamp payment error rates above the national average. Wisconsin has had error rates exceeding the national average and therefore been subject to federal food stamp

penalties every year since federal fiscal year 1994. The U.S. Department of Agriculture may allow states to satisfy their penalty by “reinvesting” an equivalent amount of new state funds into activities to reduce future error rates.

- The Food Stamps program was transferred from the Department of Workforce Development (DWD) to DHFS on July 1, 2002.

Rationale for Proposal

- Failure to comply with federal Food Stamp penalty/reinvestment requirements results in either an offset to the state’s letter of credit for federal financial participation for administrative costs or a direct billing to the state.
- The Department has tried to negotiate a reduction in the most recent federal Food Stamp penalty (covering the period federal FY01). In January 2003 federal officials notified Wisconsin that it would not consider a settlement for a reduced penalty but that it would permit reinvestment.
- The penalty amount will be “re-invested” in activities that help reduce future error rates. DHFS is developing a reinvestment plan that aggressively addresses the fundamental problems contributing to the Food Stamp error rate, including policy and process changes, education, and technical assistance, with an emphasis on improved capacity in the CARES automated eligibility system to support local agencies.
- The Governor’s budget does not include funding for Food Stamp penalties covering the period federal FY02 as these have not yet been assessed by the federal government. The Department plans to work with the Legislature in the spring to revise the funding in the biennial budget bill to reflect updated information on Wisconsin’s projected Food Stamp penalty for federal FY02.
- Nationally, only seven states including Wisconsin have chosen to pay transaction fees to retailers that use their own point-of-sale terminals to process EBT transactions. Of these states, at \$0.08, Wisconsin pays the highest transaction fee. Fees paid by the other six states range from \$0.014 to \$0.04. As part of its large package of DHFS budget efficiency measures, the Governor’s budget eliminates the food stamp retailer reimbursement, making Wisconsin similar to the majority of other states in the management of its food stamp program. Moreover, the cost to the retailer of processing an EBT transaction is lower than most other types of transactions (credit card, debit card).